

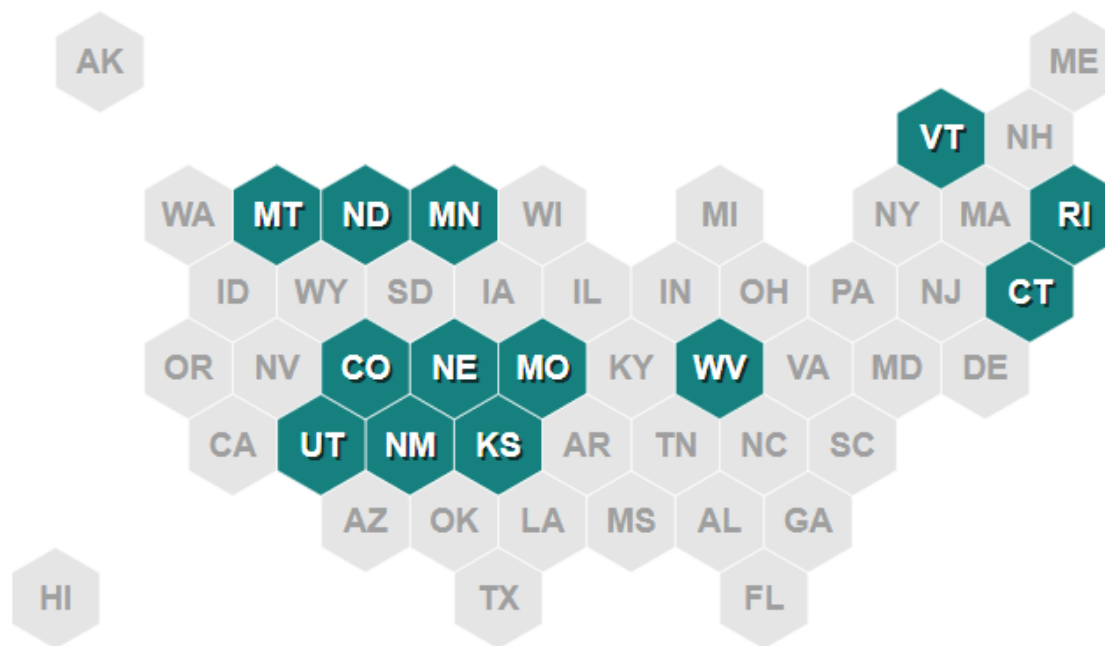
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TESTIMONY OF DAVID HOGUE IN SUPPORT OF SENATE BILL 2351
JOINT TECHNICAL CORRECTIONS COMMITTEE
NOVEMBER 10, 2021 11:00 AM

Good morning, Madam Chair Lee and Chairman Weisz and members of the Joint Technical Corrections Committee. My name is David Hogue. I am a North Dakota state senator representing District 38, which includes northwest Minot and the city of Burlington. I appear before your committee to seek support of SB 2351.

1 SB 2351 is drafted to eliminate the imposition of state income tax on social
2 security benefits. If the Proposal becomes law, North Dakota will join 37 other states

States That Tax Social Security 2021



3
4 that do not impose a state income tax on social security benefits. I wanted to share with
5 your joint committee three important reasons for adopting SB 2351.

6 First, let's look at the social security benefit in the first instance. Your payments
7 to it get taxed three times. You and I are being paid \$ 189 dollars per day as wage
8 earnings for our work today as legislators. We will be taxed federal and state income
9 tax on \$189 on those wage earnings. However, most of us will pay 6.2%, \$11.72, of the
10 \$189 that we already were taxed over to the social security administration.

11 You and I will pay a second tax on that \$11.72. That second tax is what is
12 sometimes called an implicit or hidden tax. It's hard to calculate for you and I because it

1 depends on too many variables like age, when we elect to receive benefits, whether we
2 have 35 good years, and rate of return. But a good understanding is that you don't get
3 the time value of your money. There are estimates that for young wage earners you will
4 get less than half of that \$11.72. The obvious problem is demographics: there are fee
5 people paying into the system in proportion to those that are drawing upon the fund.

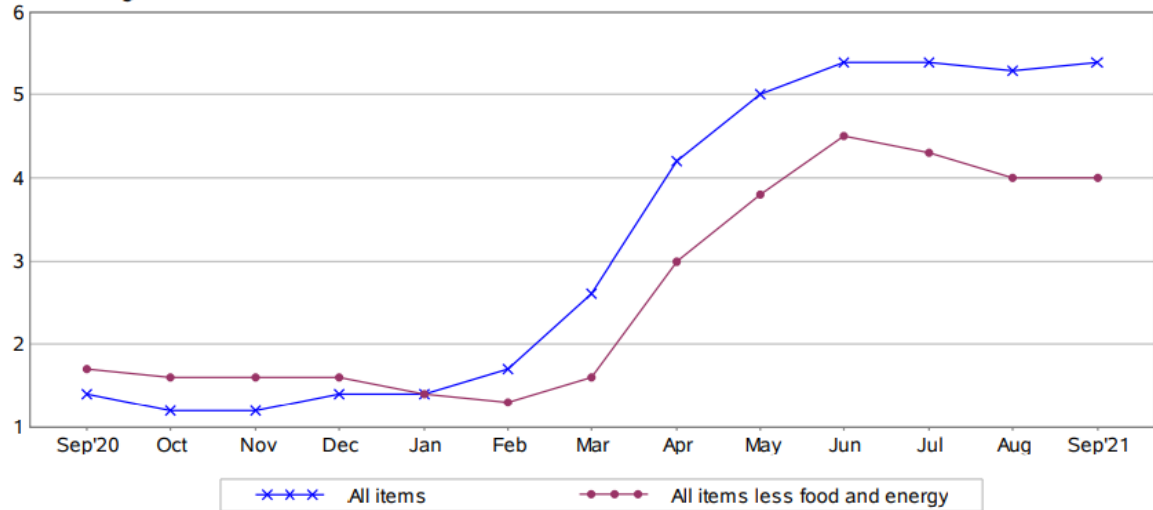
6 That implicit tax is to be contrasted to setting aside that same \$ 11.72 into a
7 401k, IRA or other passive investment. In those two instances, you the wage earner
8 would expect to watch your money grow over time and add to the principal. You own
9 both the principal and earnings and a doubling or tripling of your investment over your
10 working career is common.

11 The third tax on that \$11.72 comes when you draw social security benefits. The
12 federal government and the state government want another cut. And they take it. My
13 point is that the tax on social security benefits is patently unfair in the sense that it does,
14 in fact get reduced three times.

15 There is another reason to support SB 2351 as part of perhaps a larger package
16 of tax reductions. As we are all aware Madam Chair Lee and Chairman Weisz, inflation
17 is another silent tax imposed on us all as we purchase goods and services in the
18 marketplace. It's silent because it may go unnoticed for a while but over the course of
19 months and years we see it at the grocery store, convenience store, hardware store or
20 gas pump. It erodes our purchasing power just like a tax. However, since we
21 adjourned in April, here's what's been happening to inflation. As the below chart
22 illustrates, we're in a period of hyperinflation that shows no signs of abating in this

1 biennium. The inflation hits those on fixed income or unemployed hardest, since they
2 typically lack the ability to increase their income to match the rising costs produced from
3 inflation.

Chart 2. 12-month percent change in CPI for All Urban Consumers (CPI-U), not seasonally adjusted, Sep. 2020 - Sep. 2021
Percent change



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5 The third reason to support SB 2351 relates to the State's fiscal condition. We
6 are awash in cash. Governor Burgum described our embarrassment of riches to us in
7 our address on Monday. Our Budget Stabilization fund is already full at \$749 million.
8 Our SIIF fund has over \$ 500 million that are not allocated. Oil and Gas revenues are
9 \$94 million ahead of forecast for the first four months of the biennium. Those revenues
10 are currently running at 19.2% ahead of forecast. With a fiscal note of \$ 14.6 million,
11 SB 2351 is nicely affordable.

12 Madam Chair and Mr. Chairman, I'm happy to address your questions.

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